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**Baton Broadcasting Incorporated  
Annual Report**

**1985**

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# BATON BROADCASTING INCORPORATED

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Baton Broadcasting Incorporated is a diversified Canadian communications company. Its broadcasting subsidiaries hold television licences in Toronto and Saskatoon and radio licences in Saskatoon and Ottawa. The business forms, printing and packaging subsidiaries have plants in St-Hyacinthe, Toronto and Edmonton. The Company has extensive facilities in Toronto for the production of television programs, commercials and movies and for the duplication of computer software and home movie video cassettes.

The Company is committed to the long term expansion of its existing business interests and to diversification into related activities.

## ANNUAL MEETING

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Shareholders are invited to attend the Annual Meeting being held in the Library of the Royal York Hotel, 100 Front Street West, Toronto, Ontario on Wednesday, December 18, 1985 at 11:00 a.m. o'clock.

The Notice of Meeting, Management Information Circular and Proxies are being mailed to shareholders with this report. Shareholders who are unable to attend the Annual Meeting in person are requested to complete, sign and return to the Registrar the appropriate form of Proxy in the envelope provided, postage paid.

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# FINANCIAL HIGHLIGHTS

for the year ended August 31, 1985 (with comparative figures for 1984)

1985

1984

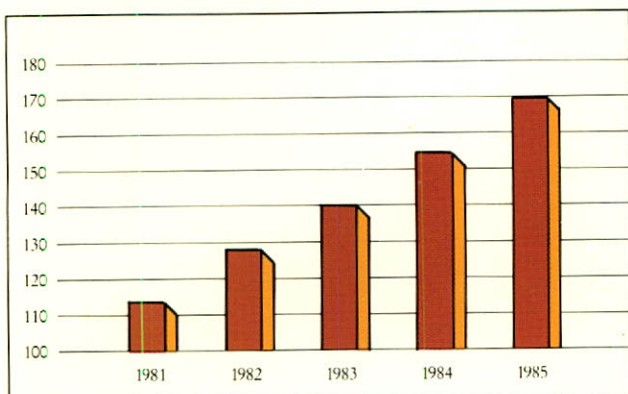
## OPERATING SUMMARY (000's)

|                                  |           |           |
|----------------------------------|-----------|-----------|
| Revenue .....                    | \$170,440 | \$154,568 |
| Consolidated Net Income          |           |           |
| Before Extraordinary Items ..... | 17,269    | 15,205    |
| After Extraordinary Items .....  | 17,269    | 12,605    |

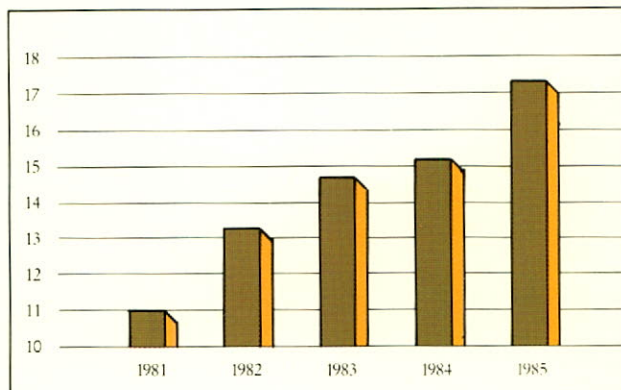
## PER SHARE DATA

|                                  |         |         |
|----------------------------------|---------|---------|
| Earnings Per Share               |         |         |
| Before Extraordinary Items ..... | \$ 1.25 | \$ 1.10 |
| After Extraordinary Items .....  | 1.25    | 91.0¢   |
| Dividends Per Share              |         |         |
| Class A Shares .....             | 38.5¢   | 36.0¢   |
| Class B Shares .....             | 33.5¢   | 31.0¢   |

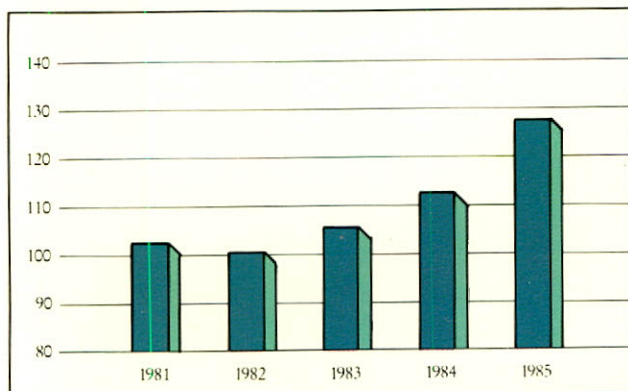
TOTAL REVENUE (millions of dollars)



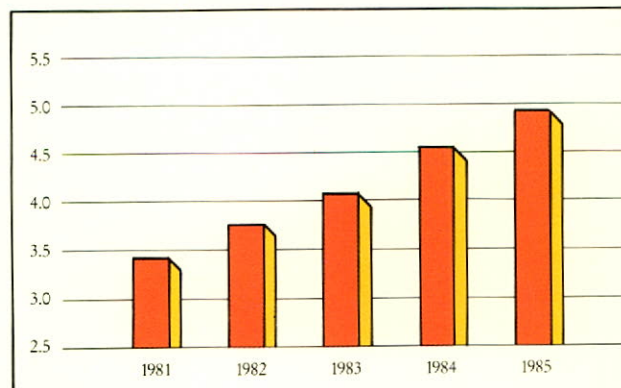
NET INCOME BEFORE EXTRAORDINARY ITEMS (millions of dollars)



TOTAL ASSETS (millions of dollars)



DIVIDENDS PAID (millions of dollars)





## REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors of Baton Broadcasting Incorporated we are pleased to report on the operations of the Company for the year ended August 31, 1985.

Consolidated net income amounted to \$17,268,675, an increase of \$2,064,125 or 13.6% over net income of \$15,204,550 before an extraordinary item earned last year. Net income per share amounted to \$1.25 in 1985 compared to \$1.10 per share earned one year ago and compares to 91¢ per share earned in 1984 after providing \$2,600,000 for losses associated with the disposition of the assets of the CKLW Radio Division in Windsor, Ontario.

The net income of \$17,268,675 is the highest in the history of the Company and marks the thirteenth consecutive year of record net income before extraordinary items.

Last year, the accounts of the Company reflected an extraordinary item of \$2,600,000 representing the anticipated loss on the sale of the assets of the CKLW Radio Division as well as the estimated operating losses until the closing date of the sale. The sale was subject to the approval of the Canadian Radio-television and Telecommunications Commission. On March 29, 1985, the Commission approved the sale and the assets were sold the following month. The provision of \$2,600,000 made last year was sufficient to offset the loss on the sale of the assets and operating losses to the closing date.

Gross revenue amounted to \$170,440,465, an increase of \$15,872,066 or 10.3% over last year. All the Company's subsidiaries reported higher gross revenue.

The increase in net income can be traced to improvements in broadcasting operations and program production. Net income from the business forms division was also higher than last year but the increase was more than offset by lower net income from operations of the printing and packaging divisions brought about by disruptions in operations and extra start-up costs associated with the installation of new presses and other equipment.

The Company's television stations, CFTO-TV in Toronto and CFQC-TV in Saskatoon, continue to be the number one ranked television stations in their

coverage areas. Radio station CFQC-AM in Saskatoon maintained its position as the top rated station in its coverage area and CFGO-AM continues to rank second among young adult listeners in Ottawa.

Glen-Warren Productions Limited reported a substantial increase in net income from the use of its facilities for the production of television programs and commercials. In addition to programs produced for the CTV Television Network, Glen-Warren's studios and facilities were used extensively to produce television programs shown exclusively in the United States.

Operations of Agincourt Productions Limited produced higher revenues, but lower profit margins reduced net earnings.

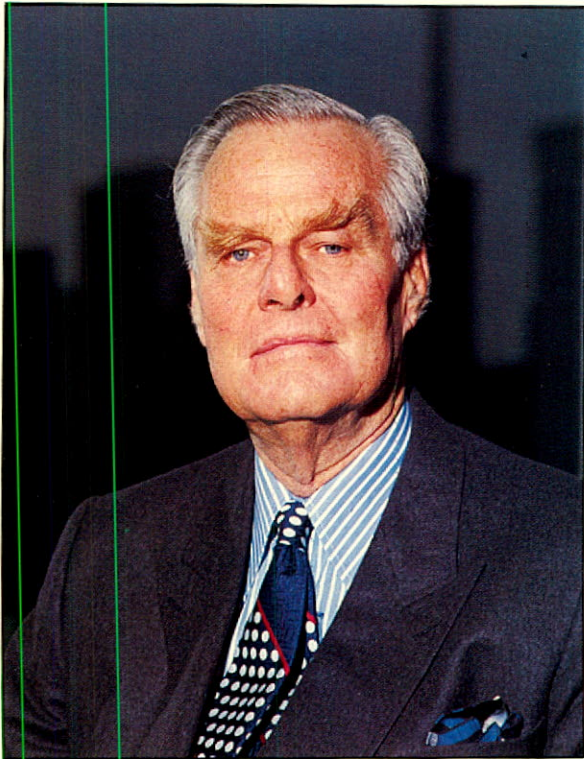
Gross revenues of ReproSoft Incorporated continue to increase but were not sufficient to absorb the start-up costs associated with this new undertaking.

Revenue from operations of the business forms, printing and packaging divisions amounted to \$69,856,019, an increase of \$9,911,552 or 16.5% over last year. The printing division, represented by ABF Business Forms Limited and ABF, Formules d'Affaires Ltée, reported another successful year. Houghton Graphics Limited and Telfer Packaging Limited reported higher gross revenue but lower net income.

Dividends paid in the 1985 fiscal year totalled 38 1/2¢ per share on the Class A non-voting shares and 33 1/2¢ per share on the Class B voting shares, an increase of 7.5% over the previous year. Holders of Class A shares are entitled to receive a semi-annual dividend of 2 1/2¢ per share in excess of the amount paid to holders of Class B shares. Dividend payments in 1985 represented 33% of the net income before an extraordinary item earned last year.

Capital expenditures totalled \$23,356,000 of which \$16,831,000 was used to purchase new presses and other equipment to expand production capacity and improve efficiency in the business forms, printing and packaging divisions. The remaining capital expenditures were used to expand and upgrade the technical facilities used in broadcasting operations and program production. The funds required for capital expenditures were generated from earnings of the Company.





*John W.H. Bassett*



*Douglas G. Bassett*

At the Annual Meeting of the Company held in December 1984, Mr. James D. Wallace, C.A., of Copper Cliff, Ontario, was elected to the Board of Directors of the Company. Mr. Wallace is President of Waters Holding Corporation Limited.

Last May, Mr. Gordon V. Ashworth, C.A., the Company's Executive Vice-President, retired at his own request. For the past twenty years, Mr. Ashworth has been a director and senior officer of CFTO-TV and in 1971 became a director of the Company. In 1970 he was transferred to Windsor as President of television station CKLW-TV and in 1974 returned to Toronto to become Executive Vice-President of the Company and a director of its subsidiaries. We are grateful for his contribution to the success of the Company and we are pleased that he remains available as a resource when required.

On behalf of the Board of Directors, we wish to thank our 1279 employees for their efforts on behalf of the Company.

Based on advance sales bookings to date, the Company expects continued improvement in net income during the 1986 fiscal year.

*John W.H. Bassett*  
*Chairman*

*Douglas G. Bassett*  
*President and Chief Executive Officer*

November 22, 1985



## BROADCASTING

### Television

In Toronto, CFTO-TV reported record air time sales but net income was slightly less than a year ago because of substantially higher programming costs, particularly in news and public affairs.

CFTO-TV continued to be the most watched television station in its coverage area. Both the Bureau of Broadcast Measurement and A.C. Nielsen audience surveys covering the 1984-1985 broadcast season show CFTO-TV as the number one rated television station in all major time periods. This is the 10th consecutive year CFTO-TV has retained its ranking as the number one rated television station in its coverage area. BBM and Nielsen also report that the first half hour of World Beat News, the Station's early evening one hour newscast, has the largest weekday audience in its history and double the audience of the second ranked competition.

During the year, the Station produced and broadcast a number of television specials. Last September, the news and program departments combined to produce a one hour documentary, *The Papal Visit: Behind The Scenes*, dealing with the planning and organization of the papal visit. Last March, the Station produced and telecast an hour long documentary hosted by Isabel Bassett called *No Place To Hide* dealing with wife-beating. In June, CFTO-TV broadcast a 24 hour telethon for the Hospital for Sick Children Foundation which raised over \$1,000,000 for the Hospital.

Last spring, CFTO-TV reached agreement with the National Association of Broadcast Employees and Technicians on a new three year labour agreement expiring January 3, 1988.

On January 1, 1986, CFTO-TV will celebrate its 25th anniversary serving the City of Toronto and portions of Southern Ontario.

Operations of CFQC-TV in Saskatoon continue to reflect higher advertising revenue and net income.

The latest Bureau of Broadcast Measurement and A.C. Nielsen rating surveys reconfirm CFQC-TV as the number one ranked television station in Saskatoon in all major day parts throughout the broadcast day. The BBM survey also shows that CFQC-TV has more viewers than any other television station in the

Province of Saskatchewan.

Last year, the Station purchased new equipment to enhance the visual presentation of its local newscasts. The latest audience surveys show CFQC-TV's early evening newscast with a 50% audience share in a market served by seven television stations.

Last March, the Station won four gold CAN-PRO awards for excellence in local programming and promotion in competition with television stations across Canada. The award winning programs were the Miss Saskatoon Pageant; *Space Soil Research*, a children's television special; and *On Cue*, a television special featuring a local musical group. CFQC-TV also won a gold award for a promotion dealing with the Search for Miss Saskatoon.

### Radio

CFGO-AM in Ottawa continues to report gains in advertising revenue and net income. The improvement can be traced to higher audience ratings resulting from the strengthening of on-air staff and the music format.

The spring 1985 Bureau of Broadcast Measurement rating survey once again shows CFGO-AM as the number two rated radio station among young adult listeners in the Ottawa Central Market Area. The Central Market Area of Ottawa is served by fifteen local radio stations.

In November 1984, the Canadian Radio-television and Telecommunications Commission approved an application by CFGO-AM to move its broadcast frequency from 1440 kHz to 1200 kHz on the AM radio dial. The frequency change will increase the coverage area to the west and southwest of Ottawa and will make the Station's signal available to approximately 200,000 more radio listeners.

The Station launched an extensive advertising and promotion campaign to acquaint existing listeners with the frequency change and to make other radio listeners aware that CFGO-AM will be heard in its expanded coverage area. The Station expects improved audience ratings next spring.

In Saskatoon, CFQC-AM also reported higher advertising revenue and improved net income.

The spring 1985 Bureau of Broadcast Measure-





*Pictured is Mr. Allan Morris, Vice-President, Engineering of CFTO-TV Limited in the new audio control room of CFTO-TV where audio elements are mixed and transferred to the video portion of television programs.*



*Pictured are two of the new radio towers being erected in Ottawa to facilitate the change of CFGO-AM's frequency to 1200 kHz on the AM radio dial.*

ment audience ratings show that CFQC-AM has maintained its position as the number one ranked radio station in its coverage area and has more listeners than the combined audience of all other private radio stations serving the market.

On May 8, 1985, the Canadian Radio-television and Telecommunications Commission renewed the broadcasting licence of CFQC-AM for a further period of five years, to expire September 30, 1990.

### Broadcasting Licences

The following are the expiry dates of broadcasting licences held by the Company's broadcast subsidiaries:

|         |                    |
|---------|--------------------|
| CFGO-AM | September 30, 1986 |
| CFQC-TV | September 30, 1987 |
| CFTO-TV | September 30, 1987 |
| CFQC-AM | September 30, 1990 |

In a decision dated April 19, 1985, the Canadian Radio-television and Telecommunications Commission renewed the broadcasting licences of CFTO-TV and CFQC-TV to September 30, 1987. The Commission also granted short-term licence renewals to the CTV Television Network and its other affiliates. In its decision, the Commission stated that the public interest would best be served if public hearings on the renewals of these licences were not held until the government's Task Force to review broadcasting policies had made its recommendations.



*Pictured is a scene from the telethon for the Hospital For Sick Children Foundation broadcast in June, 1985 from the studios of CFTO-TV.*



## PRODUCTION

Operations of Glen-Warren Productions Limited resulted in a substantial increase in net income compared to the previous year. The improvement can be traced to a sharp increase in the production of television programs for viewing in Canada and the United States.

During the year, the studios and facilities of Glen-Warren were used to produce *Lifetime*, a one hour talk show starring Peter Feniak, telecast weekday afternoons by the CTV Television Network; *Check It Out*, a new weekly half hour situation comedy starring Don Adams and Dinah Christie, for the CTV Television Network and the U.S.A. Cable Network in the United States, and *Comedy Factory*, a series of eight half hour comedy specials telecast by the CTV Television Network and the full ABC Television Network in the United States.

In addition to the production of television programs for the CTV Television Network, the studios and facilities of Glen-Warren were used to produce television specials-for telecast exclusively in the United States. Among such programs were *Breakfast with Les and Bess*, a comedy special starring Dick Van Dyke and Cloris Leachman, and *The Rise and Rise of Daniel Rocket*, a drama starring Academy Award nominee Tom Hulce, for the Public Broadcasting System. Glen-Warren's facilities were also used to produce *Grown-ups*, a drama starring Martin Balsam and Jean Stapleton, for the Public Broadcasting System and Showtime, and *Master Harold and The Boys*, a drama starring Matthew Broderick, also for Showtime.

Other productions include *Turkey Television*, a 26 episode children's program series for Nickelodeon, a pay television network in the United States, and *Murder in Space*, a two hour movie starring Martin Balsam and shown on *First Choice/Superchannel*, a pay television network in Canada. Glen-Warren also produced *Singing and Dancing*, a musical special focusing on Broadway tunes written by Canadians and telecast by the CBC Network. The editing and post production work on *Night Heat*, an hour long drama series currently telecast by the CTV Television Network and the CBS Network in the United States, was done by Glen-Warren at its studios.

Glen-Warren is the largest supplier of facilities to the Television Sports Network and supplies the facilities for the telecast of all home games of the Toronto Blue Jays. The company's mobile facilities continue to be used to produce the Miss Universe and Miss U.S.A. Pageants as well as the Billy Graham Crusades on location throughout the world.

Staff lighting director, Arnold Smith, won an Emmy Award for his lighting direction on a one hour ballet special which starred Mikhail Baryshnikov and Twyla Tharp. The program was produced in April, 1984, at the Glen-Warren studios and telecast by the Public Broadcasting System throughout the United States.

Glen-Warren also reported a substantial increase in revenue from the production of television commercials and the company expects this trend to continue.

Operations of Agincourt Productions Limited resulted in another year of record gross revenue from the duplication of home movie video cassettes but net income declined because of lower profit margins brought on by competitive pricing in the marketplace.

In order to keep pace with the demand for home movie video cassettes, Agincourt increased its duplicating capacity to 1400 video tapes at one time and continues to have the largest duplicating facility in Canada. Currently Agincourt has the capacity to produce close to four million videotape cassettes annually.

ReproSoft Incorporated, whose business is the commercial duplication of computer software, completed its first year of operations by reporting a small loss. The loss is due to start-up costs and promotion required to launch this new undertaking.

During the year, ReproSoft established its position as a top quality, service-oriented company and now has contracts with a number of software developers located in Canada and the United States.





*Mr. Don Adams plays a supermarket manager in Check It Out, a new weekly half hour situation comedy produced in the studios of Glen-Warren for telecast by the CTV Television Network in Canada and the U.S.A. Cable Network in the United States.*



*Pictured is Mr. Arnold Smith, a Glen-Warren staff lighting director with his Emmy Award for lighting direction on a ballet special starring Mikhail Baryshnikov and Twyla Tharp.*



*A scene from Breakfast With Les And Bess, a comedy special starring Dick Van Dyke and Cloris Leachman which was produced at the Glen-Warren studios for telecast by the Public Broadcasting System in the United States.*



*The cast of Grown-Ups, a drama starring Martin Balsam and Jean Stapleton taped at the Glen-Warren studios for broadcast on the Public Broadcasting System and Showtime in the United States.*



## BUSINESS FORMS, PRINTING AND PACKAGING

### Business Forms

Consolidated revenue and net income of ABF Business Forms Limited and ABF, Formules d'Affaires Ltée show marked increases over last year. The improvement can be traced in part to management changes made last year and to greater operating efficiency and improved profit margins. Significant sales increases in custom and stock products continue to result in improved market shares in both the Ontario and Western Divisions.

During the year, both companies won awards for printing and forms excellence including a Gold Medal Award, won by ABF, Formules d'Affaires Ltée, in the Olympiade Industrielle, a regional competition in the Province of Quebec. The Award is based on a number of criteria including productivity, progressiveness, expansion and working conditions.

Capital additions were made in a number of areas including a new press and collater in the Quebec Division. The capital equipment program will continue this year with new presses scheduled for both the Ontario and Western Divisions and further upgrading is planned in other areas of operations.

### Printing

For the fifth consecutive year, Haughton Graphics Limited reported increased revenues but extra start-up costs and the disruption associated with the installation of two new web presses and bindery equipment resulted in lower net income compared to last year.

The new equipment is now installed and in operation. Since the equipment expansion and associated gains in production capacity were achieved without expanding the existing premises, the company expects improvement in profit margins and net income.

### Packaging

The past year at Telfer Packaging Limited was disappointing as the company struggled to maintain sales and operating margins while expanding its building and installing a new 63 inch six colour press.

Gross revenue increased during the year but extra

costs associated with building expansion and new equipment resulted in sharply lower net income. In order to accommodate greater sales volume, some printing and diecutting had to be subcontracted away from the premises because of interruptions caused by plant expansion. In addition, labour costs rose as substantial overtime and temporary help were incurred to maintain production and at the same time train existing personnel in the operation of the new equipment.

The building expansion was completed in June and the new six colour press began operating by the year end. Telfer Packaging Limited now has the most modern and efficient folding carton operation in Canada and is staffed by the best manufacturing and marketing group in the country.

Earlier this year, Telfer won a Gold Award in the annual Worldstars for Packaging competition, sponsored by the World Packaging Organization, against 126 entries from 13 countries. The winning entry was a cardboard twin dispenser for chewing gum and was designed for Adams Brands Inc. The same entry also won a Gold Award for excellence in the Packaging Association of Canada's biennial competition.



# FIVE YEAR FINANCIAL REVIEW

(in 1,000's of dollars)

| FOR THE YEAR ENDING AUGUST 31, 1985                      | 1985       | 1984       | 1983       | 1982       | 1981       |
|--|------------|------------|------------|------------|------------|
| <b>OPERATING RESULTS</b>                                 |            |            |            |            |            |
| Revenue  |            |            |            |            |            |
| Net air time . . . . .                                   | \$ 68,344  | \$ 66,087  | \$ 60,500  | \$ 58,180  | \$ 53,997  |
| Production and distribution . . . . .                    | 31,881     | 27,823     | 28,207     | 25,957     | 19,951     |
| Business forms, printing and packaging . . . . .         | 69,856     | 59,944     | 50,061     | 43,672     | 38,941     |
| Interest . . . . .                                       | 359        | 714        | 1,464      | 725        | 1,151      |
| Total revenue . . . . .                                  | \$ 170,440 | \$ 154,568 | \$ 140,232 | \$ 128,534 | \$ 114,040 |
| Income before extraordinary items . . . . .              | \$ 17,269  | \$ 15,205  | \$ 14,680  | \$ 13,182  | \$ 11,028  |
| Extraordinary items . . . . .                            |            | (2,600)    | (4,594)    | 974        | (2,705)    |
| Net income . . . . .                                     | \$ 17,269  | \$ 12,605  | \$ 10,086  | \$ 14,156  | \$ 8,323   |
| <b>PER SHARE DATA</b>                                    |            |            |            |            |            |
| Income before extraordinary items (1) . . . . .          | \$ 1.25    | \$ 1.10    | \$ 1.06    | 95.0¢      | 80.0¢      |
| Net income (1) . . . . .                                 | \$ 1.25    | 91.0¢      | 73.0¢      | \$ 1.03    | 60.0¢      |
| Dividends paid   |            |            |            |            |            |
| Common shares (2) . . . . .                              |            |            |            |            | 50.0¢      |
| Class A shares . . . . .                                 | 38.5¢      | 36.0¢      | 32.5¢      | 30.0¢      |            |
| Class B shares . . . . .                                 | 33.5¢      | 31.0¢      | 27.5¢      | 25.0¢      |            |
| Number of shares outstanding (000's)                     |            |            |            |            |            |
| Class A shares . . . . .                                 | 7,186      | 7,185      | 7,137      | 6,956      | 6,900      |
| Class B shares . . . . .                                 | 6,614      | 6,615      | 6,663      | 6,844      | 6,900      |
| Book value per share (1) . . . . .                       | \$ 7.32    | \$ 6.43    | \$ 5.85    | \$ 5.42    | \$ 4.67    |
| <b>FUNDS FLOW</b>  |            |            |            |            |            |
| Funds provided from operations . . . . .                 | \$ 25,597  | \$ 23,914  | \$ 19,251  | \$ 18,965  | \$ 14,484  |
| Capital expenditures:                                    |            |            |            |            |            |
| Business acquisitions . . . . .                          |            |            |            |            | 5,686      |
| Additions to plant and equipment . . . . .               | 23,356     | 11,353     | 7,460      | 12,271     | 9,414      |
| Dividends paid . . . . .                                 | 4,982      | 4,636      | 4,144      | 3,796      | 3,450      |
| <b>YEAR-END FINANCIAL POSITION</b>                       |            |            |            |            |            |
| Working capital . . . . .                                | 38,649     | 39,544     | 30,361     | 21,924     | 17,422     |
| Total assets . . . . .                                   | 128,149    | 113,248    | 105,479    | 100,161    | 102,509    |
| Long-term debt . . . . .                                 |            |            |            |            | 2,472      |
| Shareholders' equity . . . . .                           | 101,045    | 88,758     | 80,790     | 74,847     | 64,488     |
| <b>RATIOS</b>  |            |            |            |            |            |
| Net income as a percentage of revenue (3) . . . . .      | 10.1%      | 9.8%       | 10.5%      | 10.3%      | 9.7%       |
| Net income on average shareholders' equity (3) . . . . . | 18.2%      | 17.9%      | 18.9%      | 18.9%      | 17.8%      |
| Net income on average assets (3) . . . . .               | 14.3%      | 13.9%      | 14.3%      | 13.0%      | 10.9%      |
| Current assets to current liabilities . . . . .          | 2.9        | 3.2        | 2.5        | 2.1        | 1.6        |
| NUMBER OF EMPLOYEES . . . . .                            | 1,279      | 1,258      | 1,206      | 1,174      | 1,188      |
| <b>ANNUAL SHARE PRICE RANGE</b>                          |            |            |            |            |            |
| Class A shares . . . . .                                 | \$ 19¼-14⅝ | \$ 14¾-11½ | \$ 15½-7¾  | \$ 8-5½    | \$ 9-6⅝    |
| Class B shares . . . . .                                 | \$ 20½-15¾ | \$ 16-11¾  | \$ 15½-7½  | \$ 8-6     | \$ 10-7¼   |

(1) Based on 13,800,000 shares.

(2) Paid on 6,900,000 common shares.

(3) Based on income before extraordinary items.



## INVESTOR INFORMATION

### Responsibility for Financial Reporting

The consolidated financial statements of the Company appearing in this report were prepared by management and reviewed in detail by the Audit Committee of the Board of Directors. On the recommendation of the Audit Committee, they were approved by the Board of Directors for presentation to the shareholders. To ensure that transactions are properly recorded and approved, management maintains extensive internal accounting controls. These controls are monitored by the Company's external auditors.

### External Auditors

Clarkson Gordon, Chartered Accountants, have been the independent auditors of the Company since it was incorporated. In addition to expressing an informed judgment as to whether management's financial statements present fairly the Company's financial position and the results of its operations, the external auditors review but do not express an opinion on the quarterly Interim Reports prepared by management for the shareholders.

### Audit Committee

The Board of Directors annually appoints an Audit Committee consisting of four outside directors. The Audit Committee meets with the external auditors and management to review the audited consolidated financial statements prior to their submission to the Board of Directors for approval. At this meeting, the Audit Committee receives explanations for any unusual disclosures or accounting treatment, reviews recommendations made by the external auditors for improvements in accounting systems and internal control and considers any matters which should be brought to the attention of the directors or shareholders.

### Restrictions on Ownership

Since certain subsidiaries of the Company hold licences under the Broadcasting Act, at least 80% of the shares of the Company must be beneficially owned by persons who are Canadian citizens or by corporations controlled in Canada.

### Stock Exchange Listing

Toronto Stock Exchange  
Montreal Stock Exchange

### Stock Symbols

BNB. A  
BNB. B

### Registrar and Transfer Agent

National Trust Company

### Dividend Payment Dates

May 1st  
November 15th

### Banks

Canadian Imperial Bank of Commerce  
The Bank of Nova Scotia  
The Toronto-Dominion Bank

### Auditors

Clarkson Gordon, Toronto

### Head Office

P.O. Box 9, Station 0  
Toronto, Ontario M4A 2M9  
Telephone (416) 299-2000  
Telex No. 065-25161



# SUMMARY OF ACCOUNTING POLICIES AND AUDITORS' REPORT

The accounting policies followed by Baton Broadcasting Incorporated and its subsidiary companies are summarized hereunder to facilitate a comprehensive review of the financial statements contained in this Report.

## Principles of Consolidation

The consolidated financial statements include the financial position of all subsidiary companies at August 31, 1985 and the results of their operations for the year then ended.

The significant subsidiary companies, all of which are wholly-owned, are:

### Broadcasting and production –

- CFTO-TV Limited
- Ruswood Broadcasting Limited
- CFGO Radio Limited
- Glen-Warren Productions Limited
- Agincourt Productions Limited
- ReproSoft Incorporated

### Business forms, printing and packaging –

- ABF Business Forms Limited
- ABF, Formules d'Affaires Ltée
- Haughton Graphics Limited
- Telfer Packaging Limited

## Revenue recognition

Air time revenue is recognized by the Company when advertisements are aired under broadcast contracts.

Program production and distribution revenues are recognized by the Company to the extent that services have been performed or programs made available under contracts.

Business forms, printing and packaging revenue is recognized at the time goods are shipped to customers or, in certain circumstances, at the time they are available for shipment to customers.

## Inventories

- (i) Business forms, printing and packaging materials –  
Inventories are stated at the lower of cost, including direct production costs and an appropriate share of overhead, or estimated net realizable value.
- (ii) Production materials –  
Production materials are carried in the Company's accounts at cost less provision for usage.
- (iii) Television programs –  
Television programs produced by the Company are carried in the Company's accounts at cost, including direct production costs and an appropriate share of overhead. Profits are recorded on the sale of television programs only after all the related costs have been recovered. If it becomes apparent that future revenues will not be sufficient to absorb the cost of television programs, the asset is written down to its estimated net realizable value.

## Program and feature film contracts

The Company is committed under various long-term contracts for the rights to broadcast programs and feature films. Payments made under the terms of these contracts are reflected in the accounts as a prepaid expense. The cost of each contract is amortized on a "per play" basis

over the duration of the contract; if it becomes apparent that this basis will not allow the contract to be fully amortized, the rate of amortization is increased.

## Fixed assets and depreciation

Rates and bases of depreciation applied by the Company on an annual basis are as follows:

|  |                                     |
|--|-------------------------------------|
| Buildings  | – 2 1/2% straight-line basis        |
| Production and transmitting equipment            | – 7% to 12 1/2% straight-line basis |
| Business forms, printing and packaging equipment | – 10% straight-line basis           |
| Automotive equipment                             | – 30% declining balance basis       |
| Furniture and fixtures                           | – 10% straight-line basis           |

Gain or loss on disposal of individual assets is the difference between proceeds and net book value in the year of disposal.

## Goodwill

Goodwill is recorded at cost and amortized on the following basis: Goodwill acquired prior to April 1, 1974 is not amortized; if it becomes apparent that the value of any component is permanently impaired, it will be written down. Goodwill acquired subsequent to April 1, 1974 is being amortized over a forty-year period.

## Translation of foreign currency

Current assets and current liabilities in foreign currencies are translated into Canadian dollars at the year-end rate of exchange and the related gain or loss is included in income. Transactions during the period have been translated at the average exchange rate prevailing during the year and the related gain or loss is included in income.

## Income taxes

The Company follows the deferred method of tax allocation in accounting for income taxes. Under this method, timing differences between reported and taxable income (which occur when revenues and expenses recognized in the accounts in one year are taxed or claimed for tax purposes in another year) can result in deferred taxes.

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## Auditors' Report

To the Shareholders of Baton Broadcasting Incorporated:

We have examined the consolidated balance sheet of Baton Broadcasting Incorporated as at August 31, 1985 and the consolidated statements of income, retained earnings, changes in financial position and segmented financial information for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at August 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
October 11, 1985

Clarkson Gordon  
Chartered Accountants



# BATON BROADCASTING INCORPORATED

(Incorporated under the laws of Ontario)

| ASSETS   | 1985                  | 1984                  |
|--|-----------------------|-----------------------|
| CURRENT:   |                       |                       |
| Cash and term deposits .....                           | \$ 4,695,217          | \$ 4,052,262          |
| Accounts receivable .....                              | 32,122,364            | 30,808,648            |
| Inventories -  |                       |                       |
| Business forms, printing and packaging materials ..... | 12,605,478            | 11,149,210            |
| Production materials .....                             | 1,196,429             | 1,274,794             |
| Television programs .....                              | 5,373,592             | 7,147,646             |
| Prepaid expenses .....                                 | 2,701,216             | 3,442,234             |
| TOTAL CURRENT ASSETS .....                             | <u>58,694,296</u>     | <u>57,874,794</u>     |
| OTHER ASSETS (note 1) .....                            | <u>1,933,473</u>      | <u>2,974,268</u>      |
| FIXED ASSETS (note 2) .....                            | 101,500,350           | 81,141,682            |
| Less accumulated depreciation .....                    | <u>40,969,408</u>     | <u>35,824,971</u>     |
| TOTAL FIXED ASSETS .....                               | <u>60,530,942</u>     | <u>45,316,711</u>     |
| GOODWILL (note 3) .....                                | <u>6,990,449</u>      | <u>7,082,643</u>      |
|  | <u>\$ 128,149,160</u> | <u>\$ 113,248,416</u> |

(See accompanying notes)



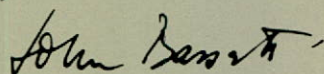
# CONSOLIDATED BALANCE SHEET

AUGUST 31, 1985

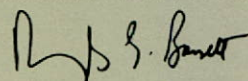
(with comparative figures at August 31, 1984)

| LIABILITIES AND SHAREHOLDERS' EQUITY       | 1985           | 1984           |
|--|----------------|----------------|
| <b>CURRENT:</b>                            |                |                |
| Accounts payable and accrued charges ..... | \$ 14,157,807  | \$ 13,399,703  |
| Income and other taxes payable .....       | 2,216,755      | 408,408        |
| Deferred income taxes .....                | 3,670,874      | 4,522,374      |
| TOTAL CURRENT LIABILITIES .....            | 20,045,436     | 18,330,485     |
| DEFERRED INCOME TAXES .....                | 7,059,047      | 6,159,658      |
| <b>SHAREHOLDERS' EQUITY:</b>               |                |                |
| Share capital (note 4) -                   |                |                |
| Authorized:                                |                |                |
| 30,285,569 Class A non-voting shares       |                |                |
| 19,714,431 Class B voting shares           |                |                |
| 100 common shares                          |                |                |
| Issued:                                    |                |                |
| 7,185,569 Class A shares .....             | 7,429,833      | 7,429,523      |
| 6,614,431 Class B shares .....             | 6,839,279      | 6,839,589      |
|  | 14,269,112     | 14,269,112     |
| Retained earnings .....                    | 86,775,565     | 74,489,161     |
| TOTAL SHAREHOLDERS' EQUITY .....           | 101,044,677    | 88,758,273     |
|  | \$ 128,149,160 | \$ 113,248,416 |

On behalf of the Board:



..... Director



..... Director

(See accompanying notes)



## CONSOLIDATED STATEMENT OF INCOME

**FOR THE YEAR ENDED AUGUST 31, 1985**

(with comparative figures for 1984)

|  | 1985                 | 1984                 |
|--|----------------------|----------------------|
| <b>REVENUES:</b>   |                      |                      |
| Net air time . . . . .   | \$ 68,344,674        | \$ 66,087,190        |
| Production and distribution . . . . .                                  | 31,880,962           | 27,822,911           |
| Business forms, printing and packaging . . . . .                       | 69,856,019           | 59,944,467           |
| Interest . . . . .   | 358,810              | 713,831              |
|  | <u>170,440,465</u>   | <u>154,568,399</u>   |
| <b>EXPENSES:</b>   |                      |                      |
| Programming and production . . . . .                                   | 106,172,804          | 94,404,186           |
| Selling and administrative . . . . .                                   | 26,473,322           | 26,334,410           |
| Depreciation and amortization . . . . .                                | 7,415,723            | 6,237,431            |
|  | <u>140,061,849</u>   | <u>126,976,027</u>   |
| <b>INCOME BEFORE INCOME TAXES<br/>AND EXTRAORDINARY ITEM . . . . .</b> | <b>30,378,616</b>    | <b>27,592,372</b>    |
| Income taxes (note 5) . . . . .  | 13,109,941           | 12,387,822           |
| <b>INCOME BEFORE EXTRAORDINARY ITEM . . . . .</b>                      | <b>17,268,675</b>    | <b>15,204,550</b>    |
| Extraordinary loss on sale of CKLW Radio Division . . . . .            |                      | (2,600,000)          |
| <b>NET INCOME FOR THE YEAR . . . . .</b>                               | <b>\$ 17,268,675</b> | <b>\$ 12,604,550</b> |
| <b>EARNINGS PER SHARE:</b>   |                      |                      |
| Income before extraordinary item . . . . .                             | <u>\$1.25</u>        | <u>\$1.10</u>        |
| Net income for the year . . . . .                                      | <u>\$1.25</u>        | <u>\$0.91</u>        |

(See accompanying notes)



# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

## FOR THE YEAR ENDED AUGUST 31, 1985

(with comparative figures for 1984)

|   | 1985                 | 1984                 |
|---|----------------------|----------------------|
| <b>SOURCE OF FUNDS:</b>   |                      |                      |
| Funds provided from operations -  |                      |                      |
| Income before extraordinary item .....                                  | \$ 17,268,675        | \$ 15,204,550        |
| Add items not involving an outlay of funds:                             |                      |                      |
| Depreciation and amortization .....                                     | 7,415,723            | 6,237,431            |
| Deferred income taxes .....   | 899,389              | 2,433,958            |
| Other .....   | 13,145               | 37,995               |
| <b>TOTAL FUNDS FROM OPERATIONS .....</b>                                | <b>25,596,932</b>    | <b>23,913,934</b>    |
| Decrease in other assets .....  | 1,040,795            | 2,333,968            |
| Proceeds on sale of fixed assets .....                                  | 804,783              | 458,370              |
| Proceeds on sale of investment .....                                    |                      | 325,000              |
| <b>TOTAL FUNDS PROVIDED .....</b>                                       | <b>27,442,510</b>    | <b>27,031,272</b>    |
| <b>USE OF FUNDS:</b>  |                      |                      |
| Purchase of fixed assets .....  | 23,355,688           | 11,352,588           |
| Dividends paid .....  | 4,982,271            | 4,636,063            |
| Reduction in working capital on sale of<br>CKLW Radio Division .....    |                      | 1,859,000            |
| <b>TOTAL FUNDS USED .....</b>   | <b>28,337,959</b>    | <b>17,847,651</b>    |
| <b>INCREASE (DECREASE) IN WORKING CAPITAL<br/>DURING THE YEAR .....</b> | <b>(895,449)</b>     | <b>9,183,621</b>     |
| <b>WORKING CAPITAL, BEGINNING OF THE YEAR .....</b>                     | <b>39,544,309</b>    | <b>30,360,688</b>    |
| <b>WORKING CAPITAL, END OF THE YEAR .....</b>                           | <b>\$ 38,648,860</b> | <b>\$ 39,544,309</b> |
| <b>REPRESENTED BY:</b>  |                      |                      |
| Current assets .....  | \$ 58,694,296        | \$ 57,874,794        |
| Less current liabilities .....  | 20,045,436           | 18,330,485           |
|   | <b>\$ 38,648,860</b> | <b>\$ 39,544,309</b> |

(See accompanying notes)



## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

### FOR THE YEAR ENDED AUGUST 31, 1985

(with comparative figures for 1984)

|  | 1985                 | 1984                 |
|--|----------------------|----------------------|
| Balance, beginning of the year . . . . . | \$ 74,489,161        | \$ 66,520,674        |
| Net income for the year . . . . .        | <u>17,268,675</u>    | <u>12,604,550</u>    |
|  | 91,757,836           | 79,125,224           |
| Dividends paid . . . . .                 | <u>4,982,271</u>     | <u>4,636,063</u>     |
| Balance, end of the year . . . . .       | <u>\$ 86,775,565</u> | <u>\$ 74,489,161</u> |

(See accompanying notes)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 1985

### 1. Other assets

Other assets are comprised of:

|  | 1985                | 1984                |
|--|---------------------|---------------------|
| Investment in CTV Television Network Ltd., at cost . . . . .   | \$ 215,390          | \$ 215,390          |
| Distribution rights . . . . .  | 218,083             | 524,673             |
| Note receivable bearing interest at an effective rate of 14% payable in 35 quarterly installments commencing September 1, 1986 . . . . . | 1,500,000           | 1,500,000           |
| Mortgages and other accounts receivable . . . . .  | <u>734,205</u>      | <u>734,205</u>      |
|  | <u>\$ 1,933,473</u> | <u>\$ 2,974,268</u> |

### 2. Fixed assets

Fixed assets and related accumulated depreciation and amortization are comprised of:

|  | 1985                  |   | 1984                 |                      |
|--|-----------------------|---|----------------------|----------------------|
|  | Cost                  | Accumulated depreciation and amortization | Net book value       | Net book value       |
| Land . . . . .   | \$ 3,643,398          |   | \$ 3,643,398         | \$ 3,601,398         |
| Buildings . . . . .  | 16,338,280            | \$ 4,515,217                              | 11,823,063           | 11,748,792           |
| Production and transmitting equipment . . . . .            | 38,302,609            | 21,876,089                                | 16,426,520           | 15,622,540           |
| Business forms, printing and packaging equipment . . . . . | 35,215,613            | 10,844,743                                | 24,370,870           | 10,799,233           |
| Automotive equipment . . . . .                             | 1,480,156             | 810,827                                   | 669,329              | 563,366              |
| Furniture and fixtures . . . . .                           | 6,520,294             | 2,922,532                                 | 3,597,762            | 2,981,382            |
|  | <u>\$ 101,500,350</u> | <u>\$ 40,969,408</u>                      | <u>\$ 60,530,942</u> | <u>\$ 45,316,711</u> |



### 3. Goodwill

Goodwill is comprised of:

|   | <u>1985</u>         |                | <u>1984</u>         |
|---|---------------------|----------------|---------------------|
| Goodwill and franchise rights acquired before April 1, 1974 ..... | \$ 3,983,334        |                | \$ 3,983,334        |
| Goodwill acquired on or after April 1, 1974 .....                 | 3,691,412           | 3,691,412      |                     |
| Less accumulated amortization .....                               | <u>684,297</u>      | <u>592,103</u> | <u>3,099,309</u>    |
|   | <u>\$ 6,990,449</u> |                | <u>\$ 7,082,643</u> |

### 4. Share capital

- (a) Class B shares can be converted into Class A shares on a one-for-one basis at the holder's option at any time. In accordance with the Ontario Business Corporations Act, 1982, the authorized and issued share capital of the Class A shares has increased and the authorized and issued share capital of the Class B shares has decreased by 300 shares (47,850 in 1984) as a result of conversions of Class B shares into Class A shares. Holders of Class A shares are entitled to receive a non-cumulative semi-annual dividend of 2.5¢ per share and no dividend can be declared on the Class B shares in a fiscal half-year until this 2.5¢ dividend has been declared. Any further dividends will be paid in equal amounts to holders of Class A and Class B shares.
- (b) The Company has reserved 350,000 Class A shares and 350,000 Class B shares under its new Employee Share Option Plan. During the year, options for 340,500 shares of each class were granted at an option price of \$15.00 per share of which 338,500 were outstanding at year end. These options are exercisable at various specified dates until expiry 10 years from the date granted.
- (c) As a result of corporate reorganizations in prior years, the Company's legal share capital of \$34,135,400 is \$19,866,288 in excess of share capital of \$14,269,112 shown on the consolidated financial statements.

### 5. Income taxes

The Company's effective income tax rate is made up as follows:

|   | <u>1985</u>          | <u>1984</u>          |
|---|----------------------|----------------------|
| Combined basic Canadian federal and provincial income tax rate .....                                      | <u>51.0%</u>         | <u>50.7%</u>         |
| Provision for income taxes based on combined basic Canadian federal and provincial income tax rates ..... | \$ 15,493,000        | \$ 13,989,000        |
| Increase (decrease) in tax resulting from -   |                      |                      |
| Manufacturing and processing deduction .....  | (925,000)            | (1,327,000)          |
| 3% inventory allowance .....  | (241,000)            | (92,000)             |
| Investment tax credits .....  | (982,000)            | (226,000)            |
| Other .....   | <u>(235,059)</u>     | <u>43,822</u>        |
|   | <u>\$ 13,109,941</u> | <u>\$ 12,387,822</u> |
| Effective income tax rate .....   | <u>43.2%</u>         | <u>44.9%</u>         |

### 6. Related party transactions

The Company has transacted business during the year with companies that are related to members of the Board of Directors of the Company. These are summarized as follows:

|  | <u>1985</u>         | <u>1984</u>       |
|--|---------------------|-------------------|
| Advertising revenues and sales of business forms, printing and packaging materials ..... | \$ 2,439,000        | \$ 1,582,000      |
| Capital expenditures .....   | <u>\$ 239,000</u>   | <u>\$ 263,000</u> |
| Purchases of goods and services .....  | <u>\$ 1,087,000</u> | <u>\$ 763,000</u> |



# STATEMENT OF SEGMENTED FINANCIAL INFORMATION

(in thousands of dollars)

## FOR THE YEAR ENDED AUGUST 31, 1985

(with comparative figures for 1984)

|  | Consolidated      |                   | Broadcasting,<br>and program<br>production<br>and distribution |                  | Business forms,<br>printing and packaging |                  |
|--|-------------------|-------------------|--|------------------|---|------------------|
|  | 1985              | 1984              | 1985   | 1984             | 1985                                      | 1984             |
| A. Total revenue . . . . .   | \$ 170,440        | \$ 154,568        |  |                  |   |                  |
| Less revenue not identifiable to<br>specific operating segments . . . . .  | 39                | 456               |  |                  |   |                  |
| Identifiable revenue . . . . .   | <u>\$ 170,401</u> | <u>\$ 154,112</u> | <u>\$ 100,438</u>  | <u>\$ 93,910</u> | <u>\$ 69,963</u>                          | <u>\$ 60,202</u> |
| B. Income before income taxes<br>and extraordinary item . . . . .  | \$ 30,379         | \$ 27,592         |  |                  |   |                  |
| Add (deduct) net general<br>corporate expenses (revenue) not<br>identifiable to specific<br>operating segments . . . . . | 429               | (42)              |  |                  |   |                  |
| Identifiable income before<br>income taxes and<br>extraordinary item . . . . .   | <u>\$ 30,808</u>  | <u>\$ 27,550</u>  | <u>\$ 28,746</u>   | <u>\$ 23,067</u> | <u>\$ 2,062</u>                           | <u>\$ 4,483</u>  |
| C. Total assets . . . . .  | \$ 128,149        | \$ 113,248        |  |                  |   |                  |
| Less cash and term deposits<br>not identifiable to specific<br>operating segments . . . . .                              | 4,695             | 4,052             |  |                  |   |                  |
| Identifiable assets . . . . .  | <u>\$ 123,454</u> | <u>\$ 109,196</u> | <u>\$ 63,488</u>   | <u>\$ 65,970</u> | <u>\$ 59,966</u>                          | <u>\$ 43,226</u> |
| D. Identifiable depreciation and<br>amortization . . . . .   | \$ 7,416          | \$ 6,237          | \$ 4,803   | \$ 4,178         | \$ 2,613                                  | \$ 2,059         |
| E. Identifiable capital expenditures . . . . .   | \$ 23,356         | \$ 11,353         | \$ 6,525   | \$ 7,697         | \$ 16,831                                 | \$ 3,656         |

The Company has defined the following as its two main industry segments: (1) television and radio broadcasting combined with the production and distribution of commercial and syndicated programming; (2) commercial printing combined with the production of packaging and business forms.

(See accompanying notes)





### FOSTER W. HEWITT, O.C.

The Board of Directors of Baton Broadcasting Incorporated record with sorrow the death of Foster W. Hewitt, O.C.

Mr. Hewitt, the voice of hockey in Canada, was one of the founders of CFTO-TV and served as the Station's first Vice-President of Sports.

When Baton was incorporated in 1971, Mr. Hewitt became a director and Vice-President and served as a director of many of the Company's subsidiaries.

He contributed much to the success of the Company.



## BOARD OF DIRECTORS

JOHN W.H. BASSETT, O.C.  
*Chairman*  
*Baton Broadcasting Incorporated*

DOUGLAS G. BASSETT  
*President and Chief Executive Officer*  
*Baton Broadcasting Incorporated*

ALLAN L. BEATTIE, Q.C.  
*Senior Partner, Law Firm*  
*Osler, Hoskin & Harcourt*

WILLIAM PRESS COOPER  
*President*  
*Cooper Construction Company Limited*

EDWARD J. DELANEY  
*Vice-President and Secretary*  
*Baton Broadcasting Incorporated*

FREDRIK S. EATON  
*President*  
*Eaton's of Canada Limited*

GEORGE ROSS EATON  
*Executive Vice-President*  
*Eaton's of Canada Limited*

JOSEPH J. GARWOOD, C.A.  
*Vice-President and Managing Director*  
*Baton Broadcasting Incorporated*

IRVING RUSSELL GERSTEIN  
*President*  
*Peoples Jewellers Limited*

EDWIN A. GOODMAN, O.C., Q.C.  
*Senior Partner, Law Firm*  
*Goodman & Goodman*

LEIGHTON W. McCARTHY  
*President*  
*McCarthy Securities Limited*

G. BLAIR NELSON  
*President*  
*Russwood Broadcasting Limited*

JAMES D. WALLACE, C.A.  
*President*  
*Waters Holding Corporation Limited*

## COMMITTEES OF THE BOARD

**EXECUTIVE COMMITTEE**

JOHN W.H. BASSETT, O.C.  
*Chairman*

DOUGLAS G. BASSETT  
ALLAN L. BEATTIE, Q.C.  
FREDRIK S. EATON  
LEIGHTON W. McCARTHY

**AUDIT COMMITTEE**

ALLAN L. BEATTIE, Q.C.  
*Chairman*

EDWIN A. GOODMAN, O.C., Q.C.  
LEIGHTON W. McCARTHY  
JAMES D. WALLACE, C.A.

### COMPENSATION COMMITTEE

GEORGE ROSS EATON  
*Chairman*

DOUGLAS G. BASSETT  
WILLIAM PRESS COOPER  
IRVING RUSSELL GERSTEIN

### DONATIONS COMMITTEE

DOUGLAS G. BASSETT  
*Chairman*

WILLIAM PRESS COOPER  
IRVING RUSSELL GERSTEIN

## OFFICERS

JOHN W.H. BASSETT, O.C.  
*Chairman*

DOUGLAS G. BASSETT  
*President and Chief Executive Officer*

JOSEPH J. GARWOOD, C.A.  
*Vice-President and Managing Director*

EDWARD J. DELANEY  
*Vice-President and Secretary*

ROBIN A. FILLINGHAM, C.A.  
*Vice-President, Finance*

RAYMOND J. CARNOVALE  
*Vice-President, Engineering*



# BATON BROADCASTING INCORPORATED

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS DECEMBER 18, 1985

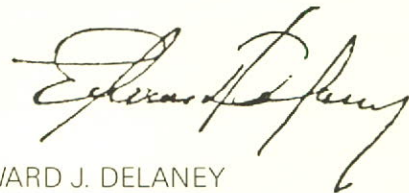
TAKE NOTICE THAT an Annual and Special Meeting (the "Meeting") of shareholders of BATON BROADCASTING INCORPORATED (the "Corporation") will be held in the Library, Royal York Hotel, Toronto, Ontario, on Wednesday, December 18, 1985 at the hour of 11:00 o'clock in the forenoon, to

- (a) receive and consider the annual report and the financial statements of the Corporation for the year ended August 31, 1985 together with the report of the auditors thereon, a copy of which accompanies this notice;
- (b) elect 13 directors;
- (c) appoint auditors and authorize the directors to fix their remuneration;
- (d) consider and, if thought fit, to pass, with or without variation, a special resolution amending the Articles of the Corporation to
  - (i) increase the maximum number of Common Shares that the Corporation is authorized to issue to an unlimited number;
  - (ii) change each Class A Non-Voting Share into one Common Share and cancel any authorized but unissued Class A Non-Voting Shares; and
  - (iii) change each Class B Share into one Common Share and cancel any authorized but unissued Class B Shares; and
- (e) transact such other business as may properly come before the Meeting or any adjournment thereof.

The text of the special resolution to be submitted to the Meeting for the purpose of being voted upon by the holders of the Class A Non-Voting Shares and the holders of the Class B Shares, voting as separate classes, and a statement as to the rights of a dissenting shareholder are set out in Schedules "A" and "B" respectively to the attached Management Information Circular which together with such Schedules forms a part of this Notice.

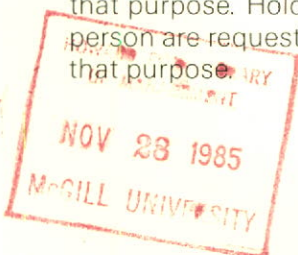
DATED at Toronto this 22nd day of November, 1985.

BY ORDER OF THE BOARD OF DIRECTORS



EDWARD J. DELANEY  
Vice-President and Secretary

Holders of **Class A Non-Voting Shares** of the Corporation who are unable to attend the Meeting in person are requested to sign and return the enclosed **blue form of proxy** in the envelope provided for that purpose. Holders of **Class B Shares** of the Corporation who are unable to attend the Meeting in person are requested to sign and return the enclosed **white form of proxy** in the envelope provided for that purpose.





# BATON BROADCASTING INCORPORATED

## MANAGEMENT INFORMATION CIRCULAR

As of November 6, 1985

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# BATON BROADCASTING INCORPORATED

## Management Information Circular

As of November 6, 1985

### MANAGEMENT SOLICITATION OF PROXIES FOR ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON DECEMBER 18, 1985

#### INFORMATION REGARDING SOLICITATION OF PROXIES

##### Solicitation of Proxies

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of **BATON BROADCASTING INCORPORATED** (hereinafter referred to as the "Corporation") for use at the Annual and Special Meeting (the "Meeting") of shareholders of the Corporation to be held in Toronto, Ontario, on December 18, 1985 for the purposes set forth in the attached Notice of Meeting. It is expected that the solicitation will be primarily by mail but proxies may also be solicited by directors or employees of the Corporation. The costs of solicitation will be borne by the Corporation.

##### Exercise of Discretion by Proxy

The shares represented by any proxy received by management will be voted or withheld from voting in accordance with the instructions of the shareholders. **In the absence of any direction to the contrary, it is intended that Class A Non-Voting Shares represented by proxies received by management will be voted in favour of the special resolution as described in this Management Information Circular. In the absence of any direction to the contrary, it is intended that Class B Shares represented by proxies received by management will be voted for the election of directors, for the appointment of auditors and in favour of the special resolution as described in this Management Information Circular.** The enclosed blue form of proxy, relating to the voting of Class A Non-Voting Shares, confers discretionary authority upon the persons named therein with respect to amendments to, or variations of, the special resolution identified in the Notice of Meeting. The enclosed white form of proxy, relating to the voting of Class B Shares, confers discretionary authority upon the persons named therein with respect to matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting or any adjournment thereof, and with respect to amendments to, or variations of, matters identified in the Notice of Meeting. As at the date hereof, management of the Corporation knows of no such amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting and routine matters incidental to the conduct of the Meeting. If any further or other business is properly brought before the Meeting, it is intended to vote on such other business in such manner as the person appointed as proxy then considers to be proper.

##### Appointment and Revocation of Proxies

Each of the persons named in the enclosed forms of proxy is a director and senior officer of the Corporation. **A shareholder has the right to appoint a person (who need not be a shareholder) other than the persons designated in the enclosed forms of proxy to attend and act for him and on his behalf at the Meeting or any adjournment thereof. To exercise this right, the shareholder may insert the name of the desired person in the blank space provided in the forms of proxy and strike out the other names or may submit another appropriate form of proxy and, in either case, deliver the form of proxy to the Corporation prior to the holding of the Meeting.**



A shareholder who has given a proxy may revoke it by depositing another form of proxy bearing a later date or a form of revocation of proxy, signed by him or by his attorney authorized in writing, at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof or, as to any matter on which a vote has not already been cast pursuant to the authority conferred by the proxy, by depositing such form of proxy or revocation with the chairman of the Meeting at the Meeting or any adjournment thereof, or may revoke the proxy in any other manner permitted by law.

### VOTING SECURITIES AND PRINCIPAL HOLDER THEREOF

The authorized capital of the Corporation is divided into Class A Non-Voting Shares, Class B Shares and Common Shares. At the date hereof, there are outstanding 7,185,569 Class A Non-Voting Shares and 6,614,431 Class B Shares. The Corporation has no Common Shares outstanding at the date hereof.

The holders of the Class B Shares of the Corporation at the time of the Meeting will be entitled to be present and to vote on all matters at the Meeting and any adjournment thereof. Holders of Class B Shares of the Corporation are entitled to one vote for each Class B Share held at such time. Holders of Class A Non-Voting Shares are entitled to be present at the Meeting and are entitled to vote at the Meeting and any adjournment thereof only on the special resolution to change the authorized and issued share capital of the Corporation. On this matter, holders of Class A Non-Voting Shares of the Corporation are entitled to one vote for each Class A Non-Voting Share held at such time.

To the knowledge of the directors or officers of the Corporation the following are, at the date hereof, the only persons who beneficially own, or exercise control or direction over, securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation.

|                            | Outstanding<br>Class A Non-Voting<br>Shares |         | Outstanding<br>Class B Shares |         |
|----------------------------|---|---------|-------------------------------|---------|
|                            | Number                                      | Percent | Number                        | Percent |
| Telegram Syndicate Limited | 3,562,920                                   | 49.58%  | 3,562,920                     | 53.87%  |

All of the 3,562,920 issued redeemable voting preference shares of Telegram Syndicate Limited and all of the 1,000 issued common shares of Telegram Syndicate Limited are owned by Telegram Corporation Limited.

Eaton's of Canada Limited owns all of the common shares of Telegram Corporation Limited.

All of the voting equity shares of Eaton's of Canada Limited are owned equally by Messrs. John Craig Eaton, Fredrik Stefan Eaton, Thor Edgar Eaton and George Ross Eaton except for 16.84% thereof which are held in trust for them and for Mrs. Signy Hildur Eaton.

### ELECTION OF DIRECTORS

The persons named in the enclosed white form of proxy relating to the voting of Class B Shares of the Corporation intend to vote, in the absence of any direction to the contrary, for the election as directors of the Corporation of the nominees whose names are set forth below. All the nominees are now members of the Board of Directors and have been since the years indicated. Management does not contemplate that any such nominee will be unable to serve as a director but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Corporation.

The following table and the notes thereto state the names of all the persons proposed to be nominated for election as directors, all other major positions and offices with the Corporation now held by them, their principal occupations or employments, the year in which they became directors of the Corporation, and the number of shares of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them as of the date hereof.



| Name and Position Held with the Corporation                                 | Principal Occupation or Employment   | Year Became Director | Shares of the Corporation Beneficially Owned or Controlled <sup>(1)</sup> |                    |
|---|--|----------------------|---|--------------------|
|   |  |                      | Class A Non-Voting  | Class B Voting     |
| John White Hughes Bassett O.C.<br>Chairman of the Board & Director          | Executive of the Corporation and its subsidiaries  | 1971                 | Nil   | Nil                |
| Douglas Graeme Bassett<br>President & Chief Executive Officer & Director    | Executive of the Corporation and its subsidiaries  | 1974                 | 56,800  | 3,600              |
| Joseph John Garwood C.A.<br>Vice-President,<br>Managing Director & Director | Executive of the Corporation and its subsidiaries  | 1973                 | 1,000   | 1,000              |
| Edward Joseph Delaney<br>Vice-President,<br>Secretary & Director            | Executive of the Corporation and its subsidiaries  | 1971                 | 200   | 700                |
| Allan Leslie Beattie Q.C.<br>Director                                       | Barrister and Solicitor<br>Partner, Osler, Hoskin & Harcourt                                 | 1971                 | 3,900   | 100                |
| William Press Cooper<br>Director  | President<br>Cooper Construction Company Limited<br>a construction company                   | 1982                 | Nil   | 1,000              |
| Fredrik Stefan Eaton<br>Director  | President<br>Eaton's of Canada Limited<br>a holding company                                  | 1972                 | Nil <sup>(2)</sup>  | Nil <sup>(2)</sup> |
| George Ross Eaton<br>Director   | Executive Vice-President<br>Eaton's of Canada Limited<br>a holding company                   | 1984                 | Nil <sup>(2)</sup>  | Nil <sup>(2)</sup> |
| Irving Russell Gerstein<br>Director   | President<br>Peoples Jewellers Limited<br>a retail jewellery chain                           | 1981                 | 200   | 200                |
| Edwin Alan Goodman O.C., Q.C.<br>Director                                   | Barrister and Solicitor<br>Partner, Goodman & Goodman  | 1971                 | Nil <sup>(3)</sup>  | Nil <sup>(3)</sup> |
| Leighton Wilckes McCarthy<br>Director                                       | President<br>McCarthy Securities Limited   | 1980                 | 1,300   | 1,300              |
| Gordon Blair Nelson<br>Director   | President<br>Russwood Broadcasting Limited<br>a television and radio<br>broadcasting company | 1983                 | Nil   | 100                |
| James D. Wallace C.A., M.B.A.<br>Director                                   | President<br>Waters Holding Corporation Limited<br>a holding company                         | 1985                 | Nil   | 1,000              |

NOTES:

- <sup>(1)</sup> The information as to shares beneficially owned or controlled, not being within the knowledge of the Corporation, has been furnished by the respective nominees individually.
- <sup>(2)</sup> Mr. Fredrik Stefan Eaton and Mr. George Ross Eaton, together with their brothers Mr. John Craig Eaton and Mr. Thor Edgar Eaton own equally all the voting equity shares of Eaton's of Canada Limited except for 16.84% thereof which are held in trust for them and for Mrs. Signy Hildur Eaton. For information regarding the shares of the Corporation controlled by Eaton's of Canada Limited, see the discussion under the heading, "Voting Securities and Principal Holder Thereof", above.
- <sup>(3)</sup> 10,000 Class B Shares are owned of record and beneficially by Heathcourt Blvd. Investments Limited, a company in which Mr. Edwin A. Goodman has a 50% interest.



## Directors' and Officers' Remuneration

The following table sets forth the remuneration paid by the Corporation and its subsidiaries for the year ended August 31, 1985 to the directors and executive and senior officers of the Corporation:

|                      | NATURE OF REMUNERATION                                |                                |                       |
|----------------------|---|--------------------------------|-----------------------|
|                      | FROM OFFICE, EMPLOYMENT<br>AND EMPLOYER CONTRIBUTIONS | COST OF<br>PENSION<br>BENEFITS | OTHER<br>REMUNERATION |
| Directors:(1)        | \$ 33,000   | \$ nil                         | nil                   |
| Senior Executives(2) | 1,776,451   | 9,490                          | nil                   |
| Five Senior Officers | 1,495,872   | 7,590                          | nil                   |

### NOTES:

- (1) There are 13 directors. The remuneration paid to the directors as disclosed in the above table is paid to directors who are not employees of the Corporation.
- (2) There are 15 Senior Executives of the Corporation within the meaning of the Securities Act (Quebec) of whom 8 act only as directors. Remuneration disclosed excludes remuneration of those Senior Executives acting only as directors.

There is a contract between the Corporation and the Corporation's Chairman, Mr. J. W. H. Bassett, providing for an annual pension of \$150,000. On his death, his widow will receive a life time pension of \$52,000 per year.

Pursuant to the Corporation's 1984 Employee Share Option Plan (the "Plan"), there are 350,000 Class A Non-Voting Shares and 350,000 Class B Shares of the Corporation reserved for issuance under the Plan. At present 338,500 Class A Non-Voting Shares and 338,500 Class B Shares are currently optioned under the Plan to 26 senior officers and employees of the Corporation at a price of \$15.00 per Class A Non-Voting Share and \$15.00 per Class B Share.

Of the shares currently optioned under the Plan, three senior officers and directors were given options on October 17, 1984 to purchase a total of 237,500 Class A Non-Voting Shares and 237,500 Class B Shares. In the 30 day period preceding October 17, 1984, the closing market price of a Class A Non-Voting Share ranged from \$15.75 to \$14.00 and the closing market price of a Class B Share ranged from \$15.75 to \$15.25.

The options to the three senior officers and directors of the Corporation are exercisable as to one-third of the shares of each class after five years from the date the option was granted with the balance of the shares of each class being purchasable after nine years and six months provided that no shares can be purchased under the options after ten years. Where the employment of any of the three senior officers and directors is terminated by the Corporation without cause before the exercise date of the options, such person is entitled to purchase all of the shares remaining unpurchased in respect of the options that have been granted to him. In the event of the death of any of such senior officers and directors of the Corporation, his legal heirs will be entitled to purchase all of the shares remaining unpurchased under the option.

In the event the Class A Non-Voting Shares and Class B Shares are changed into Common Shares as contemplated by the special resolution discussed herein, the Plan and the options granted to date under the Plan would be amended so that Plan participants would become entitled to an equivalent number of Common Shares upon any exercise of an option granted under the Plan.

## Directors' and Officers' Liability Insurance

The Corporation provides liability insurance for directors and officers of the Corporation and its subsidiaries. The premium for the year ended August 31, 1985 was \$5,062 for directors and officers, all of which was paid by the Corporation. The policy limit is \$10,000,000 per year with a deductible of \$5,000. The individual directors and officers of the Corporation and its subsidiaries are insured from claims against them for certain of their acts, errors or omissions as such. The Corporation is insured against any loss arising out of any liability to indemnify a director or officer.



## **APPOINTMENT OF AUDITORS**

The persons named in the enclosed white form of proxy relating to the voting of Class B Shares of the Corporation intend to vote, in the absence of any direction to the contrary, for the appointment as auditors of the Corporation of Clarkson Gordon, Chartered Accountants, Toronto, Ontario, who are to hold office until the next Annual Meeting of Shareholders of the Corporation and to authorize the Board of Directors of the Corporation to fix the remuneration of such auditors.

## **PROPOSED SHARE CAPITAL REORGANIZATION**

### **CHANGE OF ISSUED CLASS A NON-VOTING SHARES AND CLASS B SHARES INTO COMMON SHARES OF THE CORPORATION**

By resolution adopted on November 6, 1985, the Board of Directors authorized the submission to the Corporation's shareholders of a special resolution authorizing the Corporation to apply for a Certificate of Amendment under the Business Corporations Act, 1982 (Ontario) amending the Articles of the Corporation to increase the authorized capital of the Corporation to an unlimited number of Common Shares and to change each Class A Non-Voting Share issued and outstanding as of 8:00 P.M. Toronto time on the effective date of the Certificate of Amendment in respect of the special resolution into one Common Share and to change each Class B Share issued and outstanding as of 8:00 P.M. Toronto time on the effective date of the Certificate of Amendment in respect of the special resolution into one Common Share and to cancel any authorized but unissued Class A Non-Voting Shares and any Class B Shares. The text of the special resolution being submitted to the shareholders is set forth in Schedule "A" hereto.

#### **Common Shares**

The holders of the Common Shares of the Corporation will be entitled to one vote per Common Share at any meeting of shareholders of the Corporation. The holders of Common Shares will also be entitled to receive any dividend declared thereon by the directors and to receive the remaining property of the Corporation upon dissolution. Under the Articles of the Corporation, the Board of Directors will be able to refuse to issue or transfer any Common Share in circumstances where, in the opinion of the directors, such an issue or transfer could jeopardize the right of the Corporation or any subsidiary of the Corporation to obtain, maintain, amend or renew a licence under the Broadcasting Act (Canada). The issue and transfer of the Class B Shares of the Corporation are presently subject to the same restrictions.

The change of each Class A Non-Voting Share and each Class B Share on a one for one basis into Common Shares of the Corporation will not affect the relative ownership of the equity securities of the Corporation. Upon completion of the share capital reorganization, Telegram Syndicate Limited would own 51.64% of the outstanding Common Shares of the Corporation.

#### **Purpose of Share Capital Reorganization**

The Board of Directors is recommending this change in the share capital of the Corporation in order to enhance the liquidity of the Corporation's equity shares in the secondary trading markets by combining the Corporation's two existing classes of equity shares into one class of equity shares. As well, the consolidation of the outstanding Class A Non-Voting Shares and the outstanding Class B Shares into Common Shares on a one for one basis will remove the apparent market uncertainty with respect to the relative values of the Corporation's present Class A Non-Voting Shares and Class B Shares.

#### **Dividend Policy**

The Class A Non-Voting Shares are entitled to a 5 cent annual dividend premium over the Class B Shares. After the date of the Certificate of Amendment giving effect to the special resolution to change the Class A Non-Voting Shares and Class B Shares into Common Shares, it is the present intention of the Board of Directors of the Corporation to declare and pay, subject to economic conditions and the financial



performance of the Corporation, dividends on the Common Shares in amounts consistent with the level of dividends which have been recently declared and paid on the Class A Non-Voting Shares.

### **Shareholder Approval**

The special resolution attached as Schedule "A" must be passed by not less than two-thirds of the votes cast by the holders of the Class A Non-Voting Shares and Class B Shares voting as separate classes in respect of the special resolution. The persons named in the enclosed forms of proxy intend to vote, in the absence of instructions to the contrary, in favour of the special resolution at the Meeting.

The Corporation has been advised that the Class A Non-Voting Shares and Class B Shares held by Telegram Syndicate Limited will be voted in favour of the special resolution.

The Corporation expects to file the Articles of Amendment relating to the special resolution forthwith upon its approval by the shareholders of the Corporation. The Board of Directors may revoke the special resolution before it is acted upon without further approval of the shareholders.

### **Income Tax Considerations**

The following is a general summary of the principal Canadian federal income tax consequences of the proposed reorganization of the share capital of the Corporation for shareholders who hold Class A Non-Voting Shares and/or Class B Shares as capital property. The summary is based on the current provisions of the Income Tax Act (Canada) (the "Act") and the regulations thereunder, the proposed amendments to the Act tabled in the House of Commons on May 23, 1985 and published interpretations and practices of Revenue Canada, Taxation. This summary does not take into account foreign or provincial tax legislation or considerations. This summary does not constitute legal or tax advice to any particular shareholder and therefore shareholders may wish to consult their own tax advisers about their individual circumstances.

The Corporation has been advised by counsel that a holder of Class A Non-Voting Shares and/or Class B Shares, as the case may be, will be deemed to have disposed of those shares on the change of the Class A Non-Voting and Class B Shares into Common Shares of the Corporation for proceeds of disposition equal to the adjusted cost base to the shareholder of those Class A Non-Voting Shares and/or Class B Shares, as the case may be. Accordingly the shareholder will not realize any capital gain or capital loss for purposes of the Act as a result of the reorganization of the share capital of the Corporation. The cost to the shareholder of the Common Shares receivable by the shareholder on the change of the Class A Non-Voting and Class B Shares into Common Shares of the Corporation shall be deemed to be equal to the aggregate adjusted cost bases of the Class A Non-Voting and Class B Shares held by the shareholder immediately before the change into Common Shares.

### **Share Certificates**

On or as soon as practicable after the date of the Certificate of Amendment giving effect to the special resolution, the Corporation will give notice to the shareholders requesting that all outstanding certificates representing Class A Non-Voting Shares and Class B Shares should be forwarded by the holders thereof to the transfer agent, National Trust Company, at its principal office in the City of Toronto for cancellation in exchange for a share certificate representing the Common Shares to which such shareholders will be entitled by reason of the change in share capital of the Corporation. Until so notified, shareholders should not send existing share certificates to the transfer agent.

### **Listings and Transfer Agent**

The Class A Non-Voting Shares and Class B Shares are currently listed for trading on the Toronto and Montreal stock exchanges. If the special resolution is passed by the shareholders, the Corporation proposes to apply for the listing of the Common Shares on such exchanges.

The transfer agent and registrar for the Common Shares will be National Trust Company at its principal office in the City of Toronto.




### **Right of Dissent**

Pursuant to section 184 of the Business Corporations Act, 1982 (Ontario), a holder of Class A Non-Voting Shares and/or Class B Shares is entitled to send to the Corporation a written objection ("Notice of Dissent") to the special resolution set forth in Schedule "A". In addition to any other rights which such shareholder may have, upon the issuance of the Certificate of Amendment giving effect to the special resolution, a holder of Class A Non-Voting Shares and/or Class B Shares who complies with the dissent procedure set forth in section 184 is entitled to be paid by the Corporation the fair value of such Class A Non-Voting Shares and/or Class B Shares in respect of which he dissents as of the close of business on the day before the special resolution is adopted.

A shareholder may only claim under section 184 with respect to all Class A Non-Voting Shares or Class B Shares held by him on behalf of any one beneficial owner and which are registered in the name of the shareholder. A shareholder who wishes to invoke the provisions of section 184 must send a Notice of Dissent to the Corporation at or before the time fixed for the Meeting. The filing of such Notice of Dissent does not deprive such shareholder of his right to vote on the special resolution. A vote against the special resolution, whether by proxy or otherwise, does not by itself constitute a Notice of Dissent. A vote in favour of the special resolution will deprive a shareholder of further rights pursuant to section 184. A summary of the procedure to be followed by a shareholder who wishes to exercise his right of dissent is set forth in Schedule "B". It is recommended that shareholders who wish to pursue rights of dissent consult their own legal and tax advisers with respect to the relevant statutory provisions and tax consequences.

### **APPROVAL OF MANAGEMENT INFORMATION CIRCULAR**

The Board of Directors of the Corporation has approved the contents and sending of this Management Information Circular.



Edward J. Delaney  
Vice-President and Secretary

Toronto, Ontario  
November 22, 1985



**SCHEDULE "A"**  
**TEXT OF SPECIAL RESOLUTION AMENDING THE ARTICLES OF**  
**BATON BROADCASTING INCORPORATED TO BE VOTED UPON BY HOLDERS OF**  
**THE CLASS A NON-VOTING SHARES AND CLASS B SHARES, VOTING AS SEPARATE CLASSES**

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

- A.** The Articles of Baton Broadcasting Incorporated (the "Corporation") be amended by:
1. Increasing the maximum number of Common Shares the Corporation is authorized to issue to an unlimited number of Common Shares;
  2. Reclassifying and changing each issued Class A Non-Voting Share without par value of the Corporation into one issued Common Share and decreasing the authorized capital of the Corporation by cancelling any authorized but unissued Class A Non-Voting Shares without par value of the Corporation;
  3. Reclassifying and changing each issued Class B Share without par value of the Corporation into one issued Common Share and decreasing the authorized capital of the Corporation by cancelling any authorized but unissued Class B Shares without par value of the Corporation;
  4. Providing that the amount in the stated capital account maintained in respect of the Common Shares of the Corporation immediately after effecting the reclassifications and changes set forth in paragraphs A.2 and A.3 of this special resolution shall be equal to the aggregate of the stated capital accounts maintained in respect of the Class A Non-Voting Shares without par value of the Corporation and maintained in respect of the Class B Shares without par value of the Corporation immediately prior to effecting the reclassifications and changes set forth in paragraphs A.2 and A.3 of this special resolution; and
  5. Providing that the directors of the Corporation may refuse to issue any Common Share or to permit a transfer of any Common Share that could, in the opinion of the directors, jeopardize the right of the Corporation or any subsidiary of the Corporation to obtain, maintain, amend or renew a licence under the Broadcasting Act. For the purpose of determining whether an issue or transfer of any Common Share could jeopardize the right of the Corporation or any subsidiary of the Corporation to obtain, maintain, amend or renew a licence under the Broadcasting Act, the directors of the Corporation may require the proposed allottee or transferee, as the case may be, to submit to the Corporation or its transfer agent a statutory declaration setting forth the name of the proposed allottee or transferee, the proposed beneficial ownership of such Common Share, and
    - (i) where such allottee, transferee or beneficial owner is an individual, his or her citizenship, or
    - (ii) where such allottee, transferee or beneficial owner is a corporation, the jurisdiction under which such corporation was incorporated or otherwise organized, and the registered and beneficial owners of all classes of securities of such corporation and the citizenship of each such owner, and
    - (iii) such other evidence as the directors of the Corporation or its transfer agent may require.For the purpose of this paragraph A.5, the Broadcasting Act shall mean the Broadcasting Act, Chapter B-11, R.S.C. 1970 as now enacted or as the same may from time to time be amended or re-enacted or any legislation enacted in substitution therefor or any regulations made pursuant to such legislation.
- B.** The Corporation is hereby authorized to apply for a Certificate of Amendment under the Business Corporations Act, 1982 (Ontario) amending its Articles as set forth above and any director or any officer of the Corporation is hereby authorized to sign and deliver for and on behalf of the Corporation all such notices, documents and instruments, including Articles of Amendment, and to do such other acts and things as may be considered necessary or desirable to give effect to the foregoing.
- C.** Notwithstanding the foregoing, the Board of Directors of the Corporation may, without further approval of the shareholders of the Corporation, revoke this special resolution at any time before the Certificate of Amendment in respect of this special resolution becomes effective.



**SCHEDULE "B"**  
**SUMMARY OF RIGHT OF DISSENT TO SPECIAL RESOLUTION**

A shareholder who has sent a written objection to the Corporation ("Notice of Dissent") no later than the termination of the Meeting and who has not voted for the special resolution may exercise his right of dissent by conforming to the procedures set forth in section 184 of the Business Corporations Act, 1982 (Ontario) (the "Act"). The provisions of section 184 are summarized below.

Within ten (10) days following the adoption of the special resolution by shareholders, the Corporation is required to notify in writing each shareholder (a "Dissenting Shareholder") who has duly filed a Notice of Dissent and has neither voted for the special resolution nor withdrawn his objection that the special resolution has been adopted. A Dissenting Shareholder must, within twenty (20) days after he receives notice of adoption of the special resolution, or, if he does not receive such notice, within twenty (20) days after he learns that the special resolution has been adopted, send to the Corporation a written notice (the "Demand for Payment") containing his name and address, the number of Class A Non-Voting Shares and/or Class B Shares (the "Shares") of the Corporation in respect of which he dissents (the "Dissenting Shares") and a demand for payment of the fair value of such Dissenting Shares. Within thirty (30) days of the sending of his Demand for Payment, the Dissenting Shareholder must send the certificates representing the Dissenting Shares to the Corporation or to the transfer agent, National Trust Company. The Corporation or the transfer agent will endorse on the share certificates representing the Dissenting Shares a notice that the holder thereof is a Dissenting Shareholder and will forthwith return such share certificates to the Dissenting Shareholder. If the Dissenting Shareholder fails to send such certificates he forfeits the right to make a claim under section 184.

On sending a Demand for Payment to the Corporation, a Dissenting Shareholder ceases to have any rights as a shareholder of Shares of the Corporation except the right to be paid the fair value of the Dissenting Shares, unless:

- (i) the Dissenting Shareholder withdraws his Demand for Payment before the Corporation makes a written offer to pay (the "Offer to Pay"),
- (ii) the Corporation fails to send a timely Offer to Pay to the Dissenting Shareholder and the Dissenting Shareholder withdraws his Demand for Payment, or
- (iii) the directors of the Corporation revoke the special resolution,

in which case the Dissenting Shareholder's rights as a holder of Shares of the Corporation are reinstated as of the date of transmission of the Demand for Payment.

Not later than seven (7) days following the later of the date (the "Effective Date") of the Certificate of Amendment giving effect to the special resolution or the date on which the Corporation received a Demand for Payment, the Corporation must send to each Dissenting Shareholder who has sent a Demand for Payment, an Offer to Pay for the Dissenting Shares held by him in an amount considered by the Board of Directors of the Corporation to be the fair value of the Dissenting Shares determined as of the close of business on the day before the special resolution was adopted accompanied by a statement showing the manner of determination of such fair value. Every Offer to Pay for Dissenting Shares of the same class must be on the same terms. The amount specified in an Offer to Pay accepted by a Dissenting Shareholder must be paid by the Corporation within ten (10) days of the acceptance thereof but an Offer to Pay will lapse if the Corporation does not receive an acceptance thereof within (30) days after making such an Offer to Pay.

If an Offer to Pay is not made by the Corporation or if a Dissenting Shareholder fails to accept an Offer to Pay, the Corporation may, within fifty (50) days after the Effective Date or within such further period as a court may allow, apply to a court to fix a fair value for the Dissenting Shares of any Dissenting Shareholder. If the Corporation fails to so apply to a court, a Dissenting Shareholder may apply to a court for the same purposes within a further period of twenty (20) days or within such period as a court may allow. Any such application shall be made to the Supreme Court of Ontario, being the court which has jurisdiction in the place where the registered office of the Corporation is located, or, if the Dissenting Shareholder resides in another province of Canada in which the Corporation carries on business, to the Supreme Court, Court of Queen's Bench or Superior Court of such province, as the case may be.



A Dissenting Shareholder is not required to give security for costs in any such application to a court and all Dissenting Shareholders whose Dissenting Shares have not been purchased by the Corporation will be joined as parties and bound by the decision of the court. The Corporation will be required to notify each affected Dissenting Shareholder of the date, place and consequences of an application to court and of the rights of a Dissenting Shareholder to appear and be heard in person or by counsel. Upon such an application to a court, the court may determine whether any person is a Dissenting Shareholder who should be joined as a party and the court will fix a fair value for the Dissenting Shares of all Dissenting Shareholders whose Dissenting Shares have not been purchased by the Corporation. As well, a court may in its discretion allow a reasonable rate of interest on the amount paid to each Dissenting Shareholder from the Effective Date until the date of payment of the amount ordered by the court. The costs of any application to the court by the Corporation or a Dissenting Shareholder will be in the discretion of the court.

Dissenting shareholders will not have any other right under the Act to have their Class A Non-Voting Shares and/or Class B Shares appraised and to receive the fair value thereof.

The above is only a summary of the dissenting shareholder provisions of the Act which are technical and complex. It is suggested that any holder of Class A Non-Voting Shares and/or Class B Shares who wishes to avail himself of such right of dissent seek his own legal advice as failure to comply strictly with the statutory provisions may prejudice his right of dissent. Holders of Class A Non-Voting Shares and/or Class B Shares are also recommended to consult with their tax advisers as to the income tax consequences of the exercise of the right to dissent.



## COMPANY ADDRESSES

### CFTO-TV LIMITED

9 Channel Nine Court, Scarborough, Ontario M1S 4B5 (416) 299-2000

### GLEN-WARREN PRODUCTIONS LIMITED

Box 9, Station O, Toronto, Ontario M4A 2M9 (416) 291-7571

#### Sales Offices:

Suite 414, 551 Fifth Avenue, New York, N.Y. 10017, U.S.A. (212) 883-0090

Suite PH-M, 9911 West Pico Blvd., Los Angeles, Ca. 90035, U.S.A. (213) 553-9233

### GLEN-WARREN BROADCAST SALES

Suite 300, 2 Bloor Street W., Toronto, Ontario M4W 3L2 (416) 963-9898

#### Sales Offices:

Suite 1702, 1010 Sherbrooke St. W., Montreal, Quebec H3A 2R7 (514) 282-1845

P.O. Box 10149, Pacific Centre, Vancouver, B.C. V7Y 1C6 (604) 682-8404

### CFQC BROADCASTING

216 First Avenue N., Saskatoon, Saskatchewan S7K 3W3 (306) 665-8600

### CFG0 RADIO LIMITED

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